

GLEN LAKE COMMUNITY SCHOOLS

MAPLE CITY, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 26, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Glen Lake Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Lake Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Glen Lake Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Lake Community Schools as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2005 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VII and 17, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Glen Lake Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Glen Lake Community Schools, a K-12 school District located in Leelanau County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Glen Lake Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

District Wide Financial Statements: (Continued)

These two statements report the Glen Lake Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current Assets	\$2,345,622	\$2,515,665
Non-Current Assets	<u>6,927,507</u>	<u>7,196,086</u>
<u>TOTAL ASSETS</u>	<u>\$9,273,129</u>	<u>\$9,711,751</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,338,134	\$1,220,560
Long-Term Liabilities	<u>5,583,247</u>	<u>6,155,875</u>
Total Liabilities	\$6,921,381	\$7,376,435
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,066,848	820,427
Restricted - Debt Service	89,471	60,331
Unrestricted	<u>1,195,429</u>	<u>1,454,558</u>
Total Net Assets	<u>\$2,351,748</u>	<u>\$2,335,316</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$9,273,129</u>	<u>\$9,711,751</u>

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2005 and 2004, the District wide results of operations were:

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$5,013,982	\$4,242,065
Property Taxes Levied for Debt Service	596,524	549,142
State of Michigan Unrestricted Foundation Aid	1,019,899	1,980,104
Other General Revenues	<u>77,412</u>	<u>47,862</u>
Total General Revenues	\$6,707,817	\$6,819,173
<u>Operating Grants:</u>		
Federal	212,419	188,323
State of Michigan	320,238	294,209
Other Operating Grants	<u>119,930</u>	<u>104,585</u>
Total Operating Grants	\$652,587	\$587,117
<u>Charges for Services:</u>		
Food Service	169,967	176,028
Athletics	56,217	53,005
Timber Management	0	121,500
Other Charges for Services	<u>12,841</u>	<u>14,538</u>
Total Charges for Services	\$239,025	\$365,071
Total Revenues	\$7,599,429	\$7,771,361
<u>EXPENSES</u>		
Instruction & Instructional Support	4,382,600	4,205,005
Support Services	2,358,898	2,415,726
Community Services	21,075	4,922
Food Service	253,949	246,683
Athletics	260,973	271,257
Timber Management	0	29,162
Bond Issuance Costs	0	36,432
Interest on Long-Term Debt	51,259	168,339
Depreciation	<u>254,243</u>	<u>255,590</u>
Total Expenses	\$7,582,997	\$7,633,116
<u>INCREASE IN NET ASSETS</u>	\$16,432	\$138,245
<u>BEGINNING NET ASSETS</u>	<u>2,335,316</u>	<u>2,197,071</u>
<u>ENDING NET ASSETS</u>	<u><u>\$2,351,748</u></u>	<u><u>\$2,335,316</u></u>

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2005, the District's Total Net Assets increased by \$16,432 to a total of \$2,351,748. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$246,421 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The District's Unrestricted Net Assets decreased by \$259,129 during the year and the restricted portion of the net assets increased by \$29,140. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

Analysis of Results of Operations

The district's overall revenues exceeded expenses for the year by \$16,432. The total revenues decreased by \$171,932 or 2% over last years amounts. The major changes in revenue were primarily due to decreases in revenue from the timber management fund and state aid. Expenses decreased by \$50,119 or ½% over last year from the elimination of staff positions.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$288,580 during the year with the decrease coming primarily in cash. Designated fund balance remains at \$76,542, a provision for additional support programs for students. Revenues for the year decreased by \$95,073 due to declining student enrollment. Expenditures and other financing uses increased by \$155,096, primarily from employee retirement incentives. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
 - c. The District's non-homestead tax levy.
2. Per Student, Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Glen Lake Community Schools foundation allowance was \$6,860 per student for the 2004-2005 school year.
3. Student Enrollment:
The District's student enrollment for the fall count of 2004-2005 was 894 students. A decrease of 37 students from the prior year.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 15.0696 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2004-2005 fiscal year was \$4,774,151. An increase of \$532,086 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$6,629,568	\$6,747,466	\$6,700,146	1.78%	0.70
Expenditures	6,823,523	6,987,871	6,988,726	2.41%	0.01
<u>TOTAL</u>	<u>(\$193,955)</u>	<u>(\$240,405)</u>	<u>(\$288,580)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Glen Lake Community Schools amends its budget during the school year. The June, 2005 budget amendment was the final budget for the fiscal year.

The original and final budgets for revenue varied due to conservative estimates on state aid funding. The original and final budgets for expenditures varied due an employee retirement incentive package being negotiated after the initial budget was adopted.

There were no significant variances between the final and actual results.

GLEN LAKE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-1-04	Increases 6-30-05	Principal Payments 6-30-05	Principal Balance 6-30-05
General Obligation Bonds	\$6,375,659	\$0	\$515,000	\$5,860,659
Sick Days Payable	295,216	0	22,628	272,588
<u>Total Long-Term Debt</u>	<u>\$6,670,875</u>	<u>\$0</u>	<u>\$537,628</u>	<u>\$6,133,247</u>

B. Capital Assets

The district's net investment in capital assets decreased by \$268,579 during the fiscal year. This can be summarized as follows:

	Balance 7-1-04	Additions	Deductions	Balance 6-30-05
Capital Assets	\$12,780,510	\$71,154	\$0	\$12,851,664
Less: Accumulated Depreciation	(5,584,424)	(339,733)	0	(5,924,157)
<u>Net Investment Capital Outlay</u>	<u>\$7,196,086</u>	<u>(\$268,579)</u>	<u>\$0</u>	<u>\$6,927,507</u>

Significant additions was the purchase of a bus.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Glen Lake Community Schools.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	Governmental Activities	
	2005	2004
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$758,457	\$232,086
Investments	1,307,161	1,875,061
Accounts Receivable	1,691	7,602
Due from Other Governmental Units	275,268	398,086
Inventory	3,045	2,830
Total Current Assets	<u>\$2,345,622</u>	<u>\$2,515,665</u>
<u>NON-CURRENT ASSETS</u>		
Capital Assets	12,851,664	12,780,510
Less: Accumulated Depreciation	<u>(5,924,157)</u>	<u>(5,584,424)</u>
Total Noncurrent Assets	<u>\$6,927,507</u>	<u>\$7,196,086</u>
<u>TOTAL ASSETS</u>	<u>\$9,273,129</u>	<u>\$9,711,751</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	178,558	67,832
Due to Other Governmental Units	7,317	0
Accrued Expenses	93,015	181,953
Salaries Payable	381,451	325,264
Deferred Revenue	127,793	130,511
Current Portion of Long-Term Obligations	550,000	515,000
Total Current Liabilities	<u>\$1,338,134</u>	<u>\$1,220,560</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>5,583,247</u>	<u>6,155,875</u>
<u>TOTAL LIABILITIES</u>	<u>\$6,921,381</u>	<u>\$7,376,435</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	1,066,848	820,427
Restricted for:		
Debt Service	89,471	60,331
Unrestricted	<u>1,195,429</u>	<u>1,454,558</u>
<u>TOTAL NET ASSETS</u>	<u>\$2,351,748</u>	<u>\$2,335,316</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF ACTIVITIES
JUNE 30, 2005 AND 2004

FUNCTIONS/PROGRAMS	2005			2004
	Expenses	Program Revenues		Net (Expense)
		Charges For	Operating	Revenue &
		Services	Grants and	Change in
			Contributions	Net Assets
				Net Assets
Governmental Activities:				
Instruction	\$4,382,600	\$0	\$455,985	(\$3,926,615)
Support Services	2,358,898	12,841	127,309	(2,218,748)
Community Services	21,075	0	0	(21,075)
Food Service	253,949	169,967	69,293	(14,689)
Athletics	260,973	56,217	0	(204,756)
Timber Management	0	0	0	0
Bond Issuance Costs	0	0	0	0
Interest - Long-Term Obligations	51,259	0	0	(51,259)
Depreciation - Unallocated	254,243	0	0	(254,243)
TOTALS	\$7,582,997	\$239,025	\$652,587	(\$6,691,385)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				5,610,506
State Aid				1,019,899
Investment Earnings				24,699
Miscellaneous				52,713
Total General Revenues and Transfers				\$6,707,817
Change in Net Assets				\$16,432
Net Assets - Beginning				2,335,316
<u>Net Assets - Ending</u>				<u>\$2,351,748</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$540,829	\$217,628	\$758,457
Investments	1,307,161	0	1,307,161
Accounts Receivable	1,691	0	1,691
Due from Other Funds	13,449	0	13,449
Due from Other Governmental Units	275,268	0	275,268
Inventory	0	3,045	3,045
<u>TOTAL ASSETS</u>	<u>\$2,138,398</u>	<u>\$220,673</u>	<u>\$2,359,071</u>
<u>LIABILITIES</u>			
Accounts Payable	\$176,190	\$2,368	\$178,558
Due to Other Funds	0	13,449	13,449
Due to Other Governmental Units	7,317	0	7,317
Accrued Expenses	85,902	0	85,902
Salaries Payable	381,451	0	381,451
Deferred Revenue	127,793	0	127,793
Total Liabilities	\$778,653	\$15,817	\$794,470
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	3,045	3,045
Debt Retirement	0	89,471	89,471
Designated	76,542	0	76,542
Unreserved:			
Undesignated, Reported In:			
General Fund	1,283,203	0	1,283,203
Special Revenue Funds	0	112,340	112,340
Total Fund Balances	\$1,359,745	\$204,856	\$1,564,601
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,138,398</u>	<u>\$220,673</u>	<u>\$2,359,071</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total Governmental Fund Balances:		\$1,564,601
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 12,851,664 and the accumulated depreciation is \$5,924,158		6,927,507
Accrued Interest on Long-Term Debt		(7,113)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$5,860,659	
Sick Days Payable	272,588	
Total Long-Term Liabilities		<u>(6,133,247)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$2,351,748</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$5,216,883	\$829,990	\$6,046,873
State Sources	1,333,855	6,282	1,340,137
Federal Sources	149,408	63,011	212,419
Total Revenues	<u>\$6,700,146</u>	<u>\$899,283</u>	<u>\$7,599,429</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	4,382,457	0	4,382,457
Student Services	198,011	0	198,011
Instructional Support	139,709	0	139,709
General Administration	267,767	0	267,767
School Administration	414,528	0	414,528
Business Administration	116,848	0	116,848
Operation & Maintenance of Plant	647,064	0	647,064
Transportation	400,850	0	400,850
Other Support Services	101,187	0	101,187
Community Services	21,075	0	21,075
Special Revenue	0	486,080	486,080
Debt Service	0	567,975	567,975
Total Expenditures	<u>\$6,689,496</u>	<u>\$1,054,055</u>	<u>\$7,743,551</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$10,650	(\$154,772)	(\$144,122)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(189,019)	189,019	0
Other Transfers	(110,211)	0	(110,211)
Total Other Financing Sources (Uses)	<u>(\$299,230)</u>	<u>\$189,019</u>	<u>(\$110,211)</u>
Net Change in Fund Balance	<u>(\$288,580)</u>	<u>\$34,247</u>	<u>(\$254,333)</u>
<u>FUND BALANCE - BEGINNING</u>	<u>1,648,325</u>	<u>170,609</u>	<u>1,818,934</u>
<u>FUND BALANCE - ENDING</u>	<u>\$1,359,745</u>	<u>\$204,856</u>	<u>\$1,564,601</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total net change in fund balances - governmental funds	(\$254,333)
--	-------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(268,578)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	515,000
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Decrease in accrued compensated absences	22,628
--	--------

Change in accrued interest on long-term liabilities	<u>1,715</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>\$16,432</u></u>
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GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	Private Purpose Trusts	Trust & Agency	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$64,641	\$150,847	\$215,488
Investments	586,863	0	586,863
<u>TOTAL ASSETS</u>	\$651,504	\$150,847	\$802,351
<u>LIABILITIES</u>			
Due to Student Groups	0	150,847	150,847
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$651,504</u>	<u>\$0</u>	<u>\$651,504</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trusts</u>
<u>ADDITIONS</u>	
Revenue from Contributions and Earnings	\$66,033
<u>DEDUCTIONS</u>	
Scholarships and Other Expenses	<u>36,071</u>
<u>CHANGE IN NET ASSETS</u>	\$29,962
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>621,542</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$651,504</u>

See accompanying notes to the basic financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Glen Lake Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds: Food Service, Athletic and Timber Management Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

O) RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2005, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Credit Quality Rating	Portfolio %
Mutual Funds - Bonds:				
Merrill Lynch Core Bond Portfolio	\$ 18,861	7.1200	AAA	
Lord Abbott Bond Debenture Fund	19,050	9.4000	BB	
Federated Strategic Income Fund	34,768	7.0000	BB	
Federated US Govt Sec Fund	57,192	1.6000	AAA	
Federated Ultrashort Bond Fund	49,374	0.9000	AA	
Federated Total Return Bond	199,250	6.8000	AA	
Total Mutual Funds - Bonds	\$378,495			19.98%
Mutual Funds - Equities	208,368	N/A	N/A	11.00%
MILAF External Investment Pool - MICMS	68	0.0027	AAAm	0.00%
MILAF External Investment Pool - MIMAX	1,307,093	0.0027	AAAm	69.01%
Total fair value	\$1,894,024			100.00%
Portfolio weighted average maturity		1.2168		

1 day maturity equals 0.0027, one year equals 1.00.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4) DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in mutual funds and pooled investment accounts which represents 100% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$567,296 of the District's bank balance of \$835,718 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$215,488	\$ 973,945
Investments	<u>1,894,024</u>
<u>TOTAL</u>	<u>\$ 2,867,969</u>

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trusts	\$ 64,641
Cash Agency Fund	150,847
Cash – District Wide	758,457
Investments – Private Purpose Trusts	586,863
Investments – District Wide	<u>1,307,161</u>
<u>TOTAL</u>	<u>\$ 2,867,969</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 270,223
Other Grants	5,045
<u>TOTAL</u>	<u>\$ 275,268</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2005, the School District had no estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

On October 25, 2004, the District borrowed \$800,000 at 2% per annum from State Savings Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid on January 25, 2005.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2005</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$11,463,516	\$0	\$0	\$11,463,516
Land Improvements	305,467	0	0	305,467
Equipment and Furniture	482,961	13,265	0	496,226
Vehicles	528,566	57,889	0	586,455
Totals at Historical Cost	\$12,780,510	\$71,154	\$0	\$12,851,664
Less: Accumulated Depreciation				
Buildings and Improvements	(4,769,388)	(232,115)	0	(5,001,503)
Land Improvements	(182,199)	(15,273)	0	(197,472)
Equipment and Furniture	(307,644)	(37,795)	0	(345,439)
Vehicles	(325,193)	(54,550)	0	(379,743)
Total Accumulated Depreciation	<u>(\$5,584,424)</u>	<u>(\$339,733)</u>	<u>\$0</u>	<u>(\$5,924,157)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$7,196,086</u>	<u>(\$268,579)</u>	<u>\$0</u>	<u>\$6,927,507</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

9) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 143
Support Services	56,505
Food Service	2,854
Athletics	25,988
Unallocated	<u>254,243</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 339,733</u>

10) GENERAL LONG-TERM DEBT

A) General Obligation Bonds Payable – 1993 Series

Glen Lake Community Schools has issued bonds to partially advance refund the 1991 Series bonds. These bonds were issued October 21, 1993 in the amount of \$7,288,517.45 bearing interest at rates varying from 2.6% to 5.95 per annum. The balance of the bonds as of June 30, 2005 was \$4,058,517.

B) 2003 REFUNDING BONDS

On September 30, 2003, the Glen Lake Community Schools issued \$2,725,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 1.50% to 2.75%. The District issued the bonds to advance refund \$2,900,000 of the outstanding 1993 Bond Issue with a interest rate ranging from 4.4% to 4.9%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. The balance of the 2003 refunding bonds was \$1,755,000 at June 30, 2005.

The outstanding principal of the defeased bonds is \$2,410,000 at June 30, 2005.

C) Durant Resolution Package Bonds

Glen Lake Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$73,789.00 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2005 was \$47,142. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

D) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2005 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2006	\$550,000	\$42,675	\$592,675
June 30, 2007	588,572	33,285	621,857
June 30, 2008	623,741	18,490	642,231
June 30, 2009	351,228	478,953	830,181
June 30, 2010	347,739	527,443	875,182
June 30, 2011-2015	1,606,807	3,288,190	4,894,997
June 30, 2016-2020	1,497,934	4,802,066	6,300,000
June 30, 2021	<u>294,638</u>	<u>1,185,362</u>	<u>1,480,000</u>
 <u>TOTAL</u>	 <u>\$5,860,659</u>	 <u>\$10,376,464</u>	 <u>\$16,237,123</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

10) GENERAL LONG-TERM DEBT (Continued)

D) Annual Principal Requirements (Continued)

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$52,975.

E) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2004	ADDITIONS	DEDUCTIONS	JUNE 30, 2005	IN ONE YEAR
General Obligation Bonds	\$6,375,659	\$0	\$515,000	\$5,860,659	\$550,000
Unpaid Sick Days Payable	295,216	0	22,628	272,588	0
<u>Total Governmental Activities</u>	<u>\$6,670,875</u>	<u>\$0</u>	<u>\$537,628</u>	<u>\$6,133,247</u>	<u>\$550,000</u>

11) FUND BALANCE DESIGNATIONS

The District's Board of Education had designated \$76,542 of the District's General Fund fund balance for the following:

Headlee Millage Tutoring/S.E. Funds	<u>\$76,542</u>
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12) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

DUE FROM	
DUE TO	GENERAL FUND
Special Revenue Fund	<u>\$13,449</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

TRANSFERS FROM	
TRANSFERS TO	GENERAL FUND
Athletics Fund	<u>\$189,019</u>

These transfers were made to subsidize the cost of services for athletics.

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2005, 2004 and 2003 were \$590,916, \$544,611 and \$512,241, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

16) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies.

REQUIRED
SUPPLEMENTARY
INFORMATION

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$6,425,140	\$5,264,180	\$5,216,883	(\$47,297)
State Sources	91,015	1,334,060	1,333,855	(205)
Federal Sources	113,413	149,226	149,408	182
Total Revenues	<u>\$6,629,568</u>	<u>\$6,747,466</u>	<u>\$6,700,146</u>	<u>(\$47,320)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	4,473,935	4,382,520	4,382,457	63
Student Services & Instructional Support	257,856	337,748	337,720	28
General & Business Administration	375,902	384,629	384,615	14
School Administration	418,237	414,543	414,528	15
Operation & Maintenance of Plant	646,212	647,078	647,064	14
Transportation	340,754	400,860	400,850	10
Other Support Services	0	101,315	101,187	128
Community Services	0	21,080	21,075	5
Total Expenditures	<u>\$6,512,896</u>	<u>\$6,689,773</u>	<u>\$6,689,496</u>	<u>\$277</u>
Excess of Revenues Over Expenditures	<u>\$116,672</u>	<u>\$57,693</u>	<u>\$10,650</u>	<u>(\$47,043)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(310,627)</u>	<u>(298,098)</u>	<u>(299,230)</u>	<u>(1,132)</u>
Net Change in Fund Balance	<u>(\$193,955)</u>	<u>(\$240,405)</u>	<u>(\$288,580)</u>	<u>(\$48,175)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,648,325</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,359,745</u>	

OTHER SUPPLEMENTAL
INFORMATION

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005

	Special Revenue Fund	Debt Retirement Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$128,157	\$89,471	\$217,628
Inventory	3,045	0	3,045
<u>TOTAL ASSETS</u>	<u>\$131,202</u>	<u>\$89,471</u>	<u>\$220,673</u>
<u>LIABILITIES</u>			
Accounts Payable	\$2,368	\$0	\$2,368
Due to Other Funds	13,449	0	13,449
Total Liabilities	\$15,817	\$0	\$15,817
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	3,045	0	3,045
Debt Retirement	0	89,471	89,471
Unreserved:			
Undesignated, Reported In:			
Special Revenue Funds	112,340	0	112,340
Total Fund Balances	\$115,385	\$89,471	\$204,856
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$131,202</u>	<u>\$89,471</u>	<u>\$220,673</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Fund	Debt Retirement Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$232,875	\$597,115	\$829,990
State Sources	6,282	0	6,282
Federal Sources	63,011	0	63,011
Total Revenues	<u>\$302,168</u>	<u>\$597,115</u>	<u>\$899,283</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>189,019</u>	<u>0</u>	<u>189,019</u>
Total Revenues & Other Financing Sources	\$491,187	\$597,115	\$1,088,302
<u>EXPENDITURES</u>			
Special Revenue	486,080	0	486,080
Debt Service	0	567,975	567,975
Total Expenditures	<u>\$486,080</u>	<u>\$567,975</u>	<u>\$1,054,055</u>
Net Change in Fund Balance	\$5,107	\$29,140	\$34,247
<u>NET ASSETS - BEGINNING</u>	<u>110,278</u>	<u>60,331</u>	<u>170,609</u>
<u>NET ASSETS - ENDING</u>	<u>\$115,385</u>	<u>\$89,471</u>	<u>\$204,856</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
SPECIAL REVENUE
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

	Food Service	Athletic Activities	Timber Management	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$26,825	\$8,219	\$93,113	\$128,157
Inventory	3,045	0	0	3,045
<u>TOTAL ASSETS</u>	<u>\$29,870</u>	<u>\$8,219</u>	<u>\$93,113</u>	<u>\$131,202</u>
<u>LIABILITIES</u>				
Accounts Payable	\$2,368	\$0	\$0	\$2,368
Due to Other Funds	13,449	0	0	13,449
Total Liabilities	\$15,817	\$0	\$0	\$15,817
<u>FUND EQUITY</u>				
Reserved for Inventory	3,045	0	0	3,045
Unreserved and Undesignated	11,008	8,219	93,113	112,340
Total Fund Equity	\$14,053	\$8,219	\$93,113	\$115,385
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$29,870</u>	<u>\$8,219</u>	<u>\$93,113</u>	<u>\$131,202</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
SPECIAL REVENUE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	Food Service	Athletic Activities	Timber Management	Total
<u>REVENUES</u>				
<u>Local Sources</u>				
Cafeteria Sales	\$169,967	\$0	\$0	\$169,967
Athletic Activities	0	56,217	0	56,217
Interest	100	0	530	630
Other Local Sources	3,610	2,451	0	6,061
Total Local Sources	\$173,677	\$58,668	\$530	\$232,875
<u>State Sources</u>				
State Reimbursements	6,282	0	0	6,282
<u>Federal Sources</u>				
Federal Reimbursements	50,108	0	0	50,108
Commodities	12,903	0	0	12,903
Total Federal Sources	\$63,011	\$0	\$0	\$63,011
Total Revenues	\$242,970	\$58,668	\$530	\$302,168
<u>OTHER FINANCING SOURCES</u>				
Transfers from General Fund	6,984	182,035	0	189,019
Total Revenues and Other Financing Sources	\$249,954	\$240,703	\$530	\$491,187
<u>EXPENDITURES</u>				
Salaries - Non-Professional	79,123	120,273	0	199,396
Fica, Retirement, Etc.	17,993	26,262	0	44,255
Purchased Services	60	30,470	0	30,530
Supplies and Materials	152,733	5,756	0	158,489
Capital Outlay	0	29,141	0	29,141
Other	1,186	23,083	0	24,269
Total Expenditures	\$251,095	\$234,985	\$0	\$486,080
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$1,141)</u>	<u>\$5,718</u>	<u>\$530</u>	<u>\$5,107</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$15,194</u>	<u>\$2,501</u>	<u>\$92,583</u>	<u>110,278</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$14,053</u>	<u>\$8,219</u>	<u>\$93,113</u>	<u>\$115,385</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
COMBINING BALANCE SHEET
DEBT RETIREMENT FUND
AS OF JUNE 30, 2005

	2003 Debt Fund
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$89,471</u>
<u>TOTAL ASSETS</u>	<u><u>\$89,471</u></u>
<u>FUND BALANCES</u>	
Reserved For:	
Debt Retirement	<u>\$89,471</u>
<u>TOTAL FUND BALANCES</u>	<u><u>\$89,471</u></u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	2003 Debt Fund
<u>REVENUE</u>	
Property Taxes	\$596,524
Earnings on Investments	591
Total Revenue	<u>\$597,115</u>
<u>EXPENDITURES</u>	
Redemption of Bonds	515,000
Interest	52,975
Total Expenditures	<u>\$567,975</u>
<u>EXCESS REVENUES OVER EXPENDITURES</u>	\$29,140
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>60,331</u>
<u>FUND BALANCE - END OF YEAR</u>	<u><u>\$89,471</u></u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
ALL AGENCY FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

STUDENT ACTIVITY ACCOUNTS				
	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$157,396	\$445,273	\$451,822	\$150,847
Due from Lehmann Scholarship	1,000	0	1,000	0
<u>TOTAL ASSETS</u>	<u>\$158,396</u>	<u>\$445,273</u>	<u>\$452,822</u>	<u>\$150,847</u>
<u>LIABILITIES</u>				
Due to Student Groups	<u>\$158,396</u>	<u>\$445,273</u>	<u>\$452,822</u>	<u>\$150,847</u>
WELCH SCHOLARSHIP FUND				
	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$6,079	\$5,244	\$3,000	\$8,323
Investments	144,240	6,597	4,014	146,823
Total Assets	<u>\$150,319</u>	<u>\$11,841</u>	<u>\$7,014</u>	<u>\$155,146</u>
<u>NET ASSETS</u>				
Held in Trust for Others	<u>\$150,319</u>	<u>\$11,841</u>	<u>\$7,014</u>	<u>\$155,146</u>
NORCONK SCHOLARSHIP FUND				
	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$3,417	\$2,192	\$3,450	\$2,159
Investments	51,505	2,626	1,704	52,427
Total Assets	<u>\$54,922</u>	<u>\$4,818</u>	<u>\$5,154</u>	<u>\$54,586</u>
<u>NET ASSETS</u>				
Held in Trust for Others	<u>\$54,922</u>	<u>\$4,818</u>	<u>\$5,154</u>	<u>\$54,586</u>
PARDEE SCHOLARSHIP FUND				
	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$11,873	\$7,703	\$8,000	\$11,576
Investments	300,517	18,379	8,668	310,228
Total Assets	<u>\$312,390</u>	<u>\$26,082</u>	<u>\$16,668</u>	<u>\$321,804</u>
<u>NET ASSETS</u>				
Held in Trust for Others	<u>\$312,390</u>	<u>\$26,082</u>	<u>\$16,668</u>	<u>\$321,804</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
ALL AGENCY FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2005

LEHMANN SCHOLARSHIP FUND				
	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$11,430	\$1,009	\$2,000	\$10,439
<u>LIABILITIES</u>				
Due to Administrative Account	(\$1,000)	\$1,000	\$0	\$0
<u>NET ASSETS</u>				
Held in Trust for Others	12,430	9	2,000	10,439
<u>TOTAL LIABILITIES & NET ASSETS</u>	<u>\$11,430</u>	<u>\$1,009</u>	<u>\$2,000</u>	<u>\$10,439</u>
HUGHES SCHOLARSHIP FUND				
	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$1,773	\$2,099	\$0	\$3,872
Investments	74,253	7,867	4,735	77,385
Total Assets	\$76,026	\$9,966	\$4,735	\$81,257
<u>NET ASSETS</u>				
Held in Trust for Others	\$76,026	\$9,966	\$4,735	\$81,257
MARGARET CARLSON BATES SCHOLARSHIP FUND				
	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$16,455	\$108	\$500	\$16,063
<u>NET ASSETS</u>				
Held in Trust for Others	\$16,455	\$108	\$500	\$16,063
CORNELIUS JOHNSON SCHOLARSHIP FUND				
	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$0	\$12,209	\$0	\$12,209
<u>NET ASSETS</u>				
Held in Trust for Others	\$0	\$12,209	\$0	\$12,209
TOTALS - ALL FUNDS				
	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>ASSETS</u>				
Cash and Cash Equivalents	\$209,423	\$475,837	\$469,772	\$215,488
Investments	570,515	35,469	19,121	586,863
<u>TOTAL ASSETS</u>	<u>\$779,938</u>	<u>\$511,306</u>	<u>\$488,893</u>	<u>\$802,351</u>
<u>LIABILITIES</u>				
Due to Student Groups	\$779,938	\$511,306	\$488,893	\$802,351

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2005

<u>REVENUES FROM</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Local Sources</u>			
Property Tax Levy	\$5,061,968	\$5,013,982	(\$47,986)
Earnings on Investments and Deposits	23,361	23,478	117
Tuition	274	274	0
Special Ed Millage	104,585	104,585	0
Other Local Revenues	73,992	74,564	572
Total Revenues from Local Sources	\$5,264,180	\$5,216,883	(\$47,297)
<u>State Sources</u>			
Unrestricted			
State Aid - Foundation - Sec. 20	1,020,614	1,019,899	(715)
Restricted			
Special Education Categoricals	204,255	204,779	524
At Risk - Sec. 31A	80,551	80,540	(11)
Durant	7,379	7,379	0
Vocational Education - Sec. 61a.1	694	693	(1)
Golden Apple	5,627	4,852	(775)
Gifted and Talented Grant - Sec. 57.3	128	127	(1)
Other State Grants	14,987	15,761	774
Driver Education	(175)	(175)	0
Total Revenues from State Sources	\$1,334,060	\$1,333,855	(\$205)
<u>Federal Sources</u>			
Title I	80,716	80,716	0
Title I Carryover	10,612	10,611	(1)
Title V	3,964	3,964	0
Improving Teacher Quality	43,218	43,217	(1)
Technology Literacy Challenge	4,597	4,597	0
Medicaid	0	184	184
National Park - P.L. 94	6,119	6,119	0
Total Revenues from Federal Sources	\$149,226	\$149,408	\$182
<u>TOTAL REVENUES</u>	<u>\$6,747,466</u>	<u>\$6,700,146</u>	<u>(\$47,320)</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS</u>			
<u>Elementary</u>			
Salaries - Professional	\$968,742	\$968,741	\$1
Salaries - Non-Professional	96,776	96,773	3
Insurances	210,735	210,731	4
Fica, Retirement, Etc.	242,875	242,872	3
Other Benefits	51,718	51,717	1
Purchased Services	19,897	19,895	2
Supplies and Materials	84,339	84,336	3
Total Elementary	<u>\$1,675,082</u>	<u>\$1,675,065</u>	<u>\$17</u>
<u>High School</u>			
Salaries - Professional	1,218,940	1,218,939	1
Salaries - Non-Professional	71,445	71,444	1
Insurances	290,627	290,624	3
Other Benefits	138,665	138,662	3
Fica, Retirement, Etc.	280,229	280,179	50
Purchased Services	23,636	23,632	4
Supplies and Materials	41,853	41,890	(37)
Other	7,123	7,122	1
Total High School	<u>\$2,072,518</u>	<u>\$2,072,492</u>	<u>\$26</u>
<u>Total Basic Programs</u>	<u>\$3,747,600</u>	<u>\$3,747,557</u>	<u>\$43</u>
<u>ADDED NEEDS</u>			
<u>Special Education</u>			
Salaries - Professional	259,092	259,091	1
Salaries - Non-Professional	47,644	47,642	2
Insurances	55,950	55,946	4
Other Benefits	20,327	20,327	0
Fica, Retirement, Etc.	68,499	68,497	2
Purchased Services	5,532	5,532	0
Supplies and Materials	2,537	2,536	1
Total Special Education	<u>\$459,581</u>	<u>\$459,571</u>	<u>\$10</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>INSTRUCTION</u> (Continued)			
<u>ADDED NEEDS</u>			
<u>Compensatory Education</u>			
Salaries - Professional	\$110,035	\$110,035	\$0
Salaries - Non-Professional	15,019	15,018	1
Insurances	22,161	22,014	147
Fica, Retirement, Etc.	27,915	27,913	2
Other Benefits	0	140	(140)
Supplies and Materials	209	209	0
Total Compensatory Education	<u>\$175,339</u>	<u>\$175,329</u>	<u>\$10</u>
<u>Total Added Needs</u>	<u>\$634,920</u>	<u>\$634,900</u>	<u>\$20</u>
<u>TOTAL INSTRUCTION</u>	\$4,382,520	\$4,382,457	\$63
<u>SUPPORT SERVICES</u>			
<u>Student Services</u>			
Salaries - Professional	111,888	111,888	0
Salaries - Non-Professional	24,047	24,047	0
Insurances	29,813	29,808	5
Fica, Retirement, Etc.	30,351	30,349	2
Purchased Services	130	129	1
Supplies and Materials	1,140	1,140	0
Other	652	650	2
Total Student Services	<u>\$198,021</u>	<u>\$198,011</u>	<u>\$10</u>
<u>Instructional Support</u>			
Salaries - Professional	61,067	61,066	1
Insurances	9,926	9,921	5
Fica, Retirement, Etc.	10,279	10,275	4
Purchased Services	12,388	12,386	2
Supplies and Materials	8,051	8,047	4
Capital Outlay	28,314	28,313	1
Other	9,702	9,701	1
Total Instructional Support	<u>\$139,727</u>	<u>\$139,709</u>	<u>\$16</u>
<u>General Administration</u>			
Salaries - Professional	94,496	94,496	0
Salaries - Non-Professional	27,364	27,364	0
Insurances	45,150	45,148	2
Other Benefits	1,986	1,986	0
Fica, Retirement, Etc.	37,011	37,010	1
Purchased Services	52,250	52,245	5
Supplies and Materials	2,723	2,722	1
Capital Outlay	496	496	0
Other	6,302	6,300	2
Total General Administration	<u>\$267,778</u>	<u>\$267,767</u>	<u>\$11</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>School Administration</u>			
Salaries - Professional	\$213,742	\$213,742	\$0
Salaries - Non-Professional	63,860	63,858	2
Insurances	60,325	60,321	4
Fica, Retirement, Etc.	61,192	61,189	3
Other Benefits	4,112	4,111	1
Purchased Services	5,056	5,053	3
Supplies and Materials	1,697	1,695	2
Other	4,559	4,559	0
Total School Administration	\$414,543	\$414,528	\$15
<u>Business Office</u>			
Salaries - Professional	52,661	52,661	0
Salaries - Non-Professional	21,520	21,519	1
Fica, Retirement, Etc.	5,176	5,175	1
Other Benefits	1,500	1,500	0
Other	35,994	35,993	1
Total Business Office	\$116,851	\$116,848	\$3
<u>Operation and Maintenance</u>			
Salaries - Professional	46,818	46,818	0
Salaries - Non-Professional	205,932	205,932	0
Insurances	87,852	87,850	2
Fica, Retirement, Etc.	56,697	56,695	2
Purchased Services	65,514	65,512	2
Supplies and Materials	175,138	175,132	6
Capital Outlay	6,857	6,856	1
Other	2,270	2,269	1
Total Operation and Maintenance of Plant	\$647,078	\$647,064	\$14
<u>Transportation</u>			
Salaries - Professional	1,600	1,600	0
Salaries - Non-Professional	193,828	193,824	4
Insurances	835	835	0
Fica, Retirement, Etc.	43,697	43,695	2
Purchased Services	29,014	29,013	1
Supplies and Materials	73,143	73,140	3
Capital Outlay	58,151	58,151	0
Other	592	592	0
Total Transportation	\$400,860	\$400,850	\$10

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES</u> (Continued)			
<u>Other Support Services</u>			
Salaries - Non-Professional	\$22,817	\$22,816	\$1
Insurances	20,496	20,493	3
Fica, Retirement, Etc.	7,590	7,474	116
Purchased Services	19,706	19,702	4
Supplies and Materials	1,393	1,392	1
Capital Outlay	29,061	29,059	2
Other	252	251	1
Total Other Support Services	<u>\$101,315</u>	<u>\$101,187</u>	<u>\$128</u>
 <u>TOTAL SUPPORT SERVICES</u>	 \$2,286,173	 \$2,285,964	 \$207
 <u>COMMUNITY SERVICES</u>			
Salaries - Professional	12,144	12,144	0
Fica, Retirement, Etc.	2,737	2,735	2
Purchased Services	3,657	3,655	2
Supplies and Materials	2,542	2,541	1
Total Community Services	<u>\$21,080</u>	<u>\$21,075</u>	<u>\$5</u>
 <u>TOTAL EXPENDITURES</u>	 \$6,689,773	 \$6,689,496	 \$275
 <u>OTHER FINANCING USES</u>			
Transfers to Athletic Fund	182,037	182,035	2
Transfer to Food Service	6,985	6,984	1
Other Transfers	4,000	4,000	0
Transfers to Other Gov't Units	105,076	106,211	(1,135)
 <u>TOTAL OTHER FINANCING USES</u>	 \$298,098	 \$299,230	 (\$1,132)
 <u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	 \$6,987,871	 \$6,988,726	 (\$857)

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
TRUST AND AGENCY FUNDS
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Academic Achievement	\$466	\$0	\$0	\$466
Adirondack Chairs	42	0	0	42
Administrative	5,497	116,451	114,902	7,046
All Night Party	229	18,015	17,582	662
Art Club	436	41	0	477
Band Activities	3,221	9,247	10,426	2,042
Band Supplies	11	0	0	11
Baseball - Varsity	1,908	11,646	10,006	3,548
Basketball - Freshman Boys	27	240	181	86
Basketball - JV	313	180	135	358
Basketball - Middle School	847	0	571	276
Basketball - Trn Boys	1,904	8,134	4,275	5,763
Basketball - Trn Girls	1,632	6,745	6,584	1,793
Book Deposit	13,324	1,038	1,220	13,142
Booster Club	1	0	1	0
Cheerleaders - MS	48	0	0	48
Cheerleaders - Varsity	6	0	0	6
Choir - HS	553	2,054	2,219	388
Choir - MS	71	0	0	71
Class Of 1993	386	0	0	386
Class Of 1995	475	0	0	475
Class Of 1996	239	0	0	239
Class Of 1997	654	0	0	654
Class Of 1998	124	0	0	124
Class Of 2001	75	0	0	75
Class Of 2002	144	0	0	144
Class Of 2003	119	0	0	119
Class Of 2004	188	0	0	188
Class of 2005	3,514	0	2,469	1,045
Class of 2006	221	2,964	2,193	992
Class of 2007	19	823	25	817
Climbing Wall	12	0	0	12
Close-Up	405	15,443	15,729	119
Color Guard	885	0	2	883
Community Theatre	919	0	262	657
Concessions	198	26,387	25,620	965
Cross Country	2,783	1,340	757	3,366
Cross Country - MS	38	70	0	108
Dance Marathon	65	0	0	65
Dance Squad	590	0	0	590
Debate Club	0	117	0	117
Subtotal	<u>\$42,589</u>	<u>\$220,935</u>	<u>\$215,159</u>	<u>\$48,365</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN

TRUST AND AGENCY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2005

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
Drama Club - HS	\$869	\$3,447	\$2,347	\$1,969
Drama Club - MS	174	0	0	174
Drug Free School	67	0	0	67
Eighth Grade Dance	229	28	0	257
Eighth Grade Science Club	13	317	328	2
Envirothon	79	569	517	131
Exposures - David House	330	0	0	330
Fitness Center	50	0	0	50
Football - Middle School	85	0	0	85
Football - Varsity	3,273	19,423	17,499	5,197
G.L. Women's Cl	308	0	0	308
Germany Trip	11	0	0	11
Glen Lake CARE Fund	2,880	100	85	2,895
Golf	68	250	0	318
Greenhouse Seed	321	88	0	409
High Potential	20	0	0	20
Home Tour Funds	0	600	0	600
Homeroms - HS	124	0	0	124
I.D. Card	571	324	102	793
Intramural	200	0	0	200
Kitchen	13	0	5	8
Lake MI Ski	2,875	2,031	1,981	2,925
Laker Chair Co	774	560	516	818
Library - Second	717	266	672	311
Manitou	623	0	0	623
Michigan Summer Read	306	500	243	563
Mighty Fine Art	24,530	12,011	16,938	19,603
Miscellaneous - MS	0	930	930	0
National Honor Society	0	256	256	0
Natural Helpers	131	0	0	131
Office - HS	2,005	2,917	3,833	1,089
Office - Second	340	100	400	40
Outdoor Education	825	7,293	8,118	0
P.T.O Fruit Sales	17	0	0	17
P.T.O. Wish List	38	0	0	38
Parent Network	66	0	0	66
Physical Exam Fees	4,039	1,370	654	4,755
Physics Club	5,959	4,220	4,785	5,394
Project HERO	224	1,164	1,063	325
Room 409	2,250	0	0	2,250
Scholarships	0	15,950	15,950	0
Shakespeare Club	5	0	0	5
Subtotal	\$55,409	\$74,714	\$77,222	\$52,901

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN

TRUST AND AGENCY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2005

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
Shop Class	\$811	\$20	\$0	\$831
Singers - HS	25	0	0	25
Ski Team Club	70	131	100	101
Snowboard Club	25	0	0	25
Soccer - Boys	920	5,124	5,901	143
Soccer - Girls	455	483	749	189
Soccer Boosters	161	972	926	207
Softball Club	1,476	17,306	18,394	388
Softball Grant - Girls	0	5,000	5,000	0
Sound System - Football	2,900	1,000	0	3,900
Spanish Club	4,178	2,440	6,555	63
Special Education	131	0	0	131
Splash	100	6	0	106
Splish	244	0	0	244
Stratford Trip	2,615	8,127	8,357	2,385
Student Council - HS	4,345	15,993	16,399	3,939
Student Council - MS	1	9,556	7,365	2,192
Sunshine Club	247	301	300	248
Tennis Club	376	0	0	376
Theatre Arts	414	100	321	193
Track - Boys	1,339	56	740	655
Track - Girls	263	1,161	1,042	382
Track - MS	352	1,021	1,164	209
Trust Account	535	0	0	535
Volleyball Club	1,131	2,632	2,468	1,295
Volleyball Tournament	87	0	87	0
Weight Room	1,050	0	8	1,042
Wrestling Club	483	0	0	483
Year Book - HS	3,021	11,783	13,903	901
Year Book - MS	1,481	8,374	8,637	1,218
Subtotal	<u>\$29,236</u>	<u>\$91,586</u>	<u>\$98,416</u>	<u>\$22,406</u>
<u>Elementary Activity Accounts</u>				
Art	22	0	0	22
Ash Account	373	467	589	251
Assembly Account	0	650	600	50
Bank Charges	(6)	0	0	(6)
Brow Account	226	558	719	65
Bruggeman	502	232	349	385
Cd & Tapes	31	0	0	31
Cherry Festival Float	4	0	0	4
Subtotal	<u>\$1,152</u>	<u>\$1,907</u>	<u>\$2,257</u>	<u>\$802</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN

TRUST AND AGENCY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2003

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2004	RECEIPTS	DISBURSEMENTS	JUNE 30, 2005
<u>Elementary Activity Accounts (Continued)</u>				
Core	\$426	\$0	\$0	\$426
Counselor Account	0	109	58	51
Drama	1,580	1,164	1,539	1,205
Elementary Office	2,453	3,477	2,529	3,401
Fifth Grade	6,597	28,784	29,135	6,246
Fifth Grade Basketball	67	0	0	67
Fifth Grade Stop	0	3,438	3,438	0
First Grade	30	0	0	30
Fourth Grade	7,253	4,387	7,734	3,906
Hobbins Account	173	0	0	173
Hollenbeck Account	23	0	0	23
J. Gretzmacher	163	965	920	208
Johnson	1,006	582	446	1,142
Jones	2	0	0	2
Library	873	3,747	4,260	360
Little Laker Festival	166	300	335	131
M. Schultz	123	497	600	20
Mark Mills	1,954	467	106	2,315
McNew Account	406	467	285	588
Odyssey of The Mind	1,911	1,105	2,215	801
P Deering	746	233	295	684
Pals Program	390	425	311	504
Pierce	888	542	575	855
Playground	671	250	232	689
Recorder	108	24	42	90
Resource Room	283	125	0	408
Ruman	13	467	480	0
S. Novik	217	0	217	0
Scanlon	45	0	0	45
Science Center	75	74	0	149
Student Assistance	0	3,100	2,595	505
T. Lichty	1,090	935	949	1,076
Textbook	150	0	0	150
Third Grade	123	0	0	123
Thoreson	5	467	472	0
Total Elementary	<u>\$31,162</u>	<u>\$58,038</u>	<u>\$62,025</u>	<u>\$27,175</u>
<u>TOTAL STUDENT GROUPS</u>	<u>\$158,396</u>	<u>\$445,273</u>	<u>\$452,822</u>	<u>\$150,847</u>

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1993 SCHOOL CAPITAL PROJECT AND REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>
May 1, 2009	\$347,309	5.65	\$477,692
May 1, 2010	343,633	5.70	526,367
May 1, 2011	337,714	5.80	582,286
May 1, 2012	313,754	5.80	591,246
May 1, 2013	309,735	5.85	645,265
May 1, 2014	309,222	5.85	700,778
May 1, 2015	304,579	5.90	760,421
May 1, 2016	304,919	5.90	825,081
May 1, 2017	302,974	5.90	887,026
May 1, 2018	297,899	5.95	957,101
May 1, 2019	296,601	5.95	1,028,399
May 1, 2020	295,540	5.95	1,104,460
May 1, 2021	294,638	5.95	1,185,362
<u>TOTALS</u>	<u>\$4,058,517</u>		<u>\$10,271,484</u>

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$73,789.00

2003 REFUNDING BONDS

<u>PAYMENT DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>
May 1, 2006	\$550,000	2.00	\$42,675
May 1, 2007	585,000	2.50	31,675
May 1, 2008	620,000	2.75	17,050
<u>TOTALS</u>	<u>\$1,755,000</u>		<u>\$91,400</u>

DATE OF ISSUE - September 30, 2003

Original amount of issue - \$2,725,000

GLEN LAKE COMMUNITY SCHOOLS - MAPLE CITY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2005

<u>1998 DURANT RESOLUTION PACKAGE BONDS</u>			
<u>PAYMENT DATE - MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>
2006	\$3,572	4.761353%	\$1,610
2007	3,741	4.761353%	1,440
2008	3,920	4.761353%	1,262
2009	4,107	4.761353%	1,075
2010	4,302	4.761353%	880
2011	17,833	4.761353%	6,619
2012	4,721	4.761353%	460
2013	4,946	4.761353%	235
<u>TOTAL</u>	<u>\$47,142</u>		<u>\$13,581</u>



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 26, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Glen Lake Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Lake Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the Glen Lake Community Schools' basic financial statements and have issued our report thereon dated July 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Glen Lake Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glen Lake Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Glen Lake Community Schools, in a separate letter dated July 26, 2005.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

July 26, 2005

To the Board of Education of
Glen Lake Community Schools

In planning and performing our audit of the financial statements of Glen Lake Community Schools for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Glen Lake Community Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, Glen Lake Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Glen Lake Community Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)



Glen Lake Community Schools

Page 2

July 26, 2005

- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Glen Lake Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS